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SUBJECT: ARGENTINA: FORMER PRESIDENTIAL CANDIDATE  
LOPEZ-MURPHY PREDICTS KIRCHNER DEFEAT IN THE MID-TERMS

REF: A. BUENOS AIRES 651  
B. BUENOS AIRES 429

¶1. (C) Summary: The Ambassador met April 23 with U.S.-trained economist and conservative politician Ricardo Lopez-Murphy, who predicted the Kirchners would suffer a defeat in the mid-terms, losing 15 to 20 seats in the Chamber of Deputies, resulting in the end of their working majority. He bemoaned the lack of political alternatives, criticized the Kirchners' economic policy and predicted a severe decline in economic activity in the coming months. He expressed great doubts about the government and opposition's ability to navigate the troubled waters that lie ahead. End Summary.

¶2. (C) The Ambassador met April 23 with U.S.-educated economist and conservative politician Ricardo Lopez-Murphy, who is working with the Radical Party (UCR) and the Civic Coalition (CC) to form alliances ahead of the mid-terms. He placed third in the 2003 presidential election and seventh, with only 1.5% of the vote, in 2007, and said because of that would not be a candidate this year. He explained when "one is defeated, one can only return if public opinion agrees." He shared with the Ambassador that he plans soon to accompany Peruvian author Mario Vargas Llosa to Venezuela in May to meet with Venezuelan opposition groups. A candid and articulate interlocutor, Lopez-Murphy provided a somewhat more pessimistic take about Argentina's future beyond the Kirchners than he has in previous meetings (ref A).

Projections for the Midterms

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¶3. (C) The Ambassador kicked off the discussion by noting the intense focus in recent weeks on Argentina's June 28 congressional elections. Lopez-Murphy agreed, relaying his impression that the ruling Victory Front (FpV) would lose 15 to 20 seats in the Chamber of Deputies, ending their current working majority of 135 seats and leaving them with 115 to 120 "sure votes." He added that if the government lost their majority, it would not be clear who is in charge. In addition, he did not discount the possibility that the FpV could lose 30 seats and questioned whether President Cristina Fernandez de Kirchner (CFK) would continue governing under such a scenario. He added the "Kirchners are not accustomed to governing without a majority" and described Argentina as "almost ungovernable" should CFK resign.

¶4. (C) Lopez-Murphy predicted little change in Argentina should the Peronist dissidents win the key electoral battleground of Buenos Aires province (37.1% of the total national vote total). He said a win in the province by the triple alliance of Peronist dissidents Francisco de Narvaez and Felipe Sola and backed by Buenos Aires Mayor Mauricio Macri of Republican Proposal (PRO) would result in only "cosmetic" changes. He was optimistic about the Civic Coalition (CC) and Radical Party's (UCR) prospects in forming a solid alliance, noting that should they win there would be

a greater effort towards transparency in governing. He described CC leader Elisa Carrio as a "fighter for ideas."

15. (C) Lopez-Murphy complained about the lack of true political alternatives and the heavy influence of unions and business coalitions on governance. The Ambassador remarked that it can be problematic to have one dominant party. Lopez-Murphy replied that the Peronist Party (PJ) has prevailed for some 50 years, presenting themselves as center, right-of-center, or left-of-center depending on the political winds at the time. Commenting that he is probably too Western-oriented for Argentina, Lopez-Murphy said Argentina should seek to emulate the United States, where checks and balances and division of power are clearly upheld. "The Kirchners are a symptom (of the political system), not the problem," Lopez Murphy asserted.

"In Argentina, we have the wrong type of team"

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16. (C) In Lopez-Murphy's view, the Kirchners' tendency to ignore reality and believe their own arguments is particularly damaging. He added that they refuse to engage with anyone who does not agree with them, living in their own "microclimate" where things are going well. The Ambassador remarked that there may be some within the administration who privately share a different opinion but are afraid to voice it. Lopez-Murphy agreed that dissenting views are not accepted by the Kirchners. Despite clearly articulating Argentina's political and economic challenges, Lopez-Murphy was hard-pressed to define the way forward. He relayed that "as a politician" he could not see clearly what Argentina should do next.

17. (C) Lopez-Murphy bemoaned that he just did not understand the voters and what was on their minds. He asked rhetorically, "why are the Kirchners popular when they have made many mistakes?" He noted that he understood why former President Nestor Kirchner came to power in 2003. However, he could not comprehend why the Argentine electorate elected CFK given the scandals arising before her election, such as the cash-filled suitcase from Venezuela allegedly destined for her campaign, which was seized by Buenos Aires airport authorities in August 2007.

Tough Economic Times Ahead

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18. (C) Lopez-Murphy criticized the Kirchners' economic policy and predicted a steep decline in economic activity in the coming months. He asserted that the decline could have been avoided by "prudent" action on the part of the CFK administration. He referred to the widely-suspected manipulation of inflation statistics by national statistical agency INDEC as the most serious issue because it prevents a common language for addressing economic challenges. On the global economic crisis, Lopez-Murphy was considerably more optimistic about recovery. He said he shares National Economic Council Director Larry Summers' views while considering U.S. economist Paul Krugman to be too pessimistic. He described President Obama's economic team as strong and well-trained.

19. (C) Comment: Lopez-Murphy's poor showing in 2007 may have left him overly dismissive of Argentine voters, who after all appear poised in 2009 to deliver at least a moderate rebuke to the Kirchners despite being challenged in doing so by two rather diffuse major opposition movements (and numerous provincial offshoots). It may also account for his "end is nigh" outlook on local politics. His views on the troubles ahead for Argentina's economy, however, are shared by a broad spectrum of Argentine and foreign economists and financial analysts.

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